

INVESTMENTS: RISK MANAGEMENT FRAMEWORK

Risk No	Cat Ref	Risk	Current Controls	Impact	Probability	Overall Risk Rating	Responsibility	Timescale
39	INV1	That the assumptions underlying the Investment and Funding Strategies are inconsistent.	<p>The Investment and Fund Strategies are reviewed and discussed at Pensions Committee.</p> <p>These Strategies are presented to Pensions Committee annually as part of the process of approving the Fund Annual Report.</p> <p>Close liaison between the Fund's actuary and strategic investment adviser.</p>	5	2	10	HoP	Mar-17
40	INV2	That Fund liabilities are not correctly understood and as a consequence assets are not allocated appropriately.	Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.	5	1	5	HoP	Mar-17
41	INV3	Incorrect understanding of employer characteristics e.g. strength of covenant.	<p>Actuarial and Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.</p> <p>A strength of covenant analysis is undertaken by the Fund along with employer profiling to assist the Fund to understand all employers in the Scheme. The actuary uses this information when contribution rates are being set triennially.</p>	5	2	10	HoP	Mar-17

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42	INV4	The Fund doesn't take expert advice when determining Investment Strategy.	The Fund currently utilises the services of Mercer as Strategic Investment adviser to the Fund. Furthermore, the Fund employs the services of an independent consultant to assist with decisions around investments and investment strategy.	5	1	5	HoP; PCB	Mar-17
43	INV5	Strategic investment advice received from Investment Consultants is either incorrect or inappropriate for Fund.	The Fund employs the services of an statutory investment adviser, Mercers, but has also engaged an independent consultant to challenge/confirm investment/investment strategy decisions. This model ensures that Investment advice is subject to peer review to ensure that it is fit for purpose.	5	2	10	PCB; PCB	Mar-17

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44	INV6	Investment Manager Risk - this includes both the risk that the wrong manager is appointed and /or that the manager doesn't follow the investment approach set out in the Investment Management agreement.	<p>Rigorous selection process in place to ensure that Fund appoints only the best investment managers based on available information during tendering of a new mandate.</p> <p>Expert professional advice provided by Investment/Independent Consultant supporting manager selection exercise. It is a requirement of the Fund that all Investment Managers are FSA registered.</p> <p>Where necessary specialist search managers will be engaged to assist investment manager selection.</p> <p>The Funds Custodian provides a manager performance monitoring service. The performance of all investment managers is also formally monitored and reported on a quarterly basis to Investment Sub-Committee.</p>	5	2	10	PCB;	Dec-17

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45	INV7	Relevant information relating to investments is not communicated to the Committee in accordance with the Fund's Governance arrangements.	<p>The Pensions Committee receives formal quarterly reports on both the overall performance of the Fund and individual investment managers. Included within this report is a manager monitoring section prepared by the Head of Pensions</p> <p>Where appropriate members may be asked to utilise electronic decision making, such as, email to allow the Committee to make timely/urgent decisions relating to investment of fund assets.</p>	4	1	4	HoP; CC	Mar-17
46	INV8	The risks associated with the Fund's assets are not understood resulting in the Fund taking either too much or too little risk to achieve its funding objective.	<p>Full Investment Strategy review undertaken by Investment Consultant on triennial basis after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives.</p>	5	2	10	HoP; PCB	Mar-17

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47	INV9	Actual asset allocations move away from strategic benchmark.	Asset Allocations formally reviewed as part of quarterly report to Pensions Committee and necessary action will be taken to correct imbalance that is over and above the tolerance threshold . LGIM, the equity investor is able to affect a rebalancing of the Fund's assets to benchmark and has been tasked to do so on an ongoing basis.	4	3	12	HoP	Mar-17
48	INV10	No modelling of liabilities and cash flow is undertaken.	Annual cash flow monitoring at Fund level undertaken by Head of Finance - Treasury & Pensions and utilised to inform Investment Strategy to ensure that the Fund is always able to meet its liabilities as they fall due.	5	1	5	HoP	Mar-17

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49	INV11	The risk that the investment strategy adopted by London CIV through fund manager appointments does not fully meet the needs of the Fund.	<p>The Fund is a founding member of London CIV and is an active participant at all levels (Executive and Officer) of London CIV.</p> <p>Specifically, the Fund has representation at the Investment Advisory Committee and Officer's business meetings where strategies and fund manager appointments that align with the Fund's investment strategy are promoted.</p> <p>However, because the CIV has to reach consensus among its 33 members, there is a risk that the full complement of mandates in the Fund may not be replicated by London CIV.</p>	5	5	25	HoP	Apr-17